



A NOTE ON REPORTING ACTUARIAL INFORMATION

A guide to the reporting requirements of TASs

Part 2: The Generic TASs (R, M &D)

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REPORTING ACTUARIAL INFORMATION

TAS R, *Reporting Actuarial Information*, sets out the framework for regulating the way in which actuarial information is reported. The current version of the TAS was published in November 2009. It contains 25 specific requirements (the passages highlighted in boxes in the published standard), along with amplifying and explanatory text. (The other TASs contain additional reporting requirements within the general TAS R framework.)

In my view, it was unfortunate that the drafters of the TAS chose to adopt the format for TAS R that they did, merely setting out requirements (ie what actuaries should do and what they may not do). I have always considered TAS R to be different from the other TASs. The other TASs address matters which actuaries are undoubtedly expert in (data, modelling, insurance, pensions and so on), whereas TAS R addresses matters which many consider that actuaries needed guidance on how to improve. Certainly, that was the opinion of the Morris Review of the Actuarial Profession.

Viewed from a teaching perspective, it is particularly unfortunate that TAS R is structured under the headings *relevance, completeness, comprehensibility* and *transparency*. It is not possible to plan or write a report by addressing those four goals in separate steps. A report writer starts with a set of inputs to the report (data, calculations, results, recommendations etc) and develops the report based on those inputs.

As a teaching aide, I have set out on the following pages a summary of the reporting requirements, re-ordered and re-worded in a manner which I hope writers of actuarial reports will find helpful when setting out to write a report which they intend to be TAS-compliant.

Additional copies of this note are available as a free download from my website (www.simoncarne.com/reporting-tas). The note is believed to be accurate. Anyone who identifies errors – or suspects any errors – is invited to let me know.

The purpose of this note is to help with the drafting of actuarial information. It is not a substitute for reading the relevant TASs for their full terms and effect.

Simon Carne

This note addresses the reporting requirements from the three generic TASs **R (Reporting)**, **M (Modelling)** and **D (Data)***. To assist with identifying the source of each requirement, I use colour-coding and superscripts as follows:

TAS R in this colour – paragraph numbers without any superscript, eg C.1.1

TAS M in this colour – paragraph numbers with superscript ^M, eg C.1.1^M

* TAS D has *no* reporting requirements. I mention it only so that readers of this note know that it is covered.

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The reporting requirements of Generic TASs ... in under 100 words

Main principles

- Include sufficient information to enable users to make the decisions for which the report was written
 - include any uncertainty inherent in the information
- Style and content should be suited to the knowledge of the users
- Immaterial information should not obscure information that *is* material
- Important information communicated orally must be confirmed in writing

Additional requirements

- Explain the aims of your report
- Include descriptions/explanations of:
 - data
 - assumptions
 - cash flows
 - uncertainties
 - events since the data was collected
 - comparison with last time and projection to next time
- Be careful with technical terms
- ... plus miscellaneous compliance items

SUMMARY OF THE REPORTING REQUIREMENTS OF THE GENERIC TASs (R, M & D)

The following is a summary of the reporting requirements of the TASs. Pages 7-9 contain the actual wording. Paragraph numbers refer to the numbering in the TASs.

Main principles

Reports should include sufficient information (including any uncertainty inherent in the information) to enable users to make the decisions for which the report was written. The style and content should be suited to the knowledge of the users. Immaterial information should not obscure information that *is* material. Anything communicated in a non-permanent form must be confirmed in writing (C.3.1, C.5.1, C5.2, C.6.1, C.6.6 & C.2.6).

Explain the aim of the report

Reports should:

- a) state the purpose of the report, the (intended) users and who commissioned the work (C.3.3);
- b) explain the nature and objective of any material calculations, what the results of the calculations represent and whether the results of monetary calculations are the outcome of a planning exercise, a valuation exercise or something else (C.6.10, C.3.7 & C.5.8);
- c) explain any specific measures and methods used to achieve the calculation objective and describe the rationale for those measures and methods and for the related assumptions (C.4.6); and
- d) explain how the users' needs are addressed by the models that have been used, along with any limitations of the models and the implications of those limitations (C5.8^M).

Content

Reports should include a statement, description or explanation of:

- a) **data** or information used in the underlying work, including: (i) its source; (ii) any uncertainty over its accuracy and how the uncertainty was dealt with it in the calculations; (iii) the rationale for any grouping (unless the grouping demonstrably has no material effect); and (iv) any (non-erroneous) data points removed from the realisation of a model, along with the implications of their removal (C.4.1, C4.3, C4.9^M & C4.13^M);
- b) the material **assumptions** on which any calculations or judgements are based and any differences between the assumptions applied in different parts of the work (C.4.4);
- c) the nature and timing of any future **cash flows** being quantified (C.5.10);
- d) the relationship between non-neutral **estimates** and associated neutral estimates (C5.4^M);
- e) for each relevant (and material) **risk or uncertainty** faced by the entity, the nature and significance of the risk and an explanation of the approach taken to that risk (C5.5);
- f) any material **changes or events** that have occurred since the effective date of the information on which the report is based (C.3.13);

and, for reports relating to work of a recurring nature:

- g) a **comparison with the previous report**, explaining relevant differences, including assumptions, calculation results, recommendations and other material matters, as well as a reconciliation of the two sets of results (C.5.17); and
- h) the **projected results** for future calculations (C.5.20).

Be careful with technical terms

Reports should state the intended meaning of any description which is not uniquely defined and, if it includes probabilities, the report should explain the intended meaning of the probability and the nature of any statistics on which the probability is based **(C.6.8 & C.5.13)**.

Compliance

- All reports relating to work within the scope of TAS R should comply with the TAS. Judgements concerning the application of the TAS should be exercised in a reasoned and justifiable manner **(C.2.1, C.2.8)**.
- Reports should state which TASs apply to the work being reported on and any other TASs with which it is intended that the report should comply. The report should also state whether those TASs have been complied with and/or the nature of any material departures **(C.3.11)**.
- If the writer(s) of a report become aware that the report is not understood by a user, the writer(s) should provide clarification or correct the misunderstanding **(C.6.4)**.

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THE FRC'S WORDING OF THE REPORTING REQUIREMENTS FOR THE GENERIC TASs (R, M & D)

The following pages contain the requirements of the TASs re-ordered to follow the sequence of the summary set out on pages 4-5 of this note.

MAIN PRINCIPLES

- C.3.1 An **aggregate report** shall include sufficient information to enable its **users** to judge its relevance to the decisions for which they use it.
- C.5.1 An **aggregate report** shall include all **material** matters relating to the work being reported on.
- C.5.2 An **aggregate report** shall indicate the nature and extent of any **material** uncertainty in the information it contains.
- C.6.1 The style, structure and content of **reports** shall be suited to the skills, understanding and levels of relevant technical knowledge of their **users**.
- C.6.6 A **report** shall not include information that is not **material** if it obscures **material** information.
- C.2.6 Any **material** information relating to work within the scope of this standard that is conveyed in a non-permanent form shall be confirmed in a **report**.

EXPLAIN THE AIM OF THE REPORT

Purpose of reports

- C.3.3 An **aggregate report** shall state its purpose, its **users** and who commissioned the work. A **component report** shall state its purpose and to whom it is addressed.

Calculations

- C.6.10 An **aggregate report** shall explain what the results of any **material** calculations are intended to represent.
- C.3.7 An **aggregate report** that includes the results of calculations of monetary amounts shall explain for each result whether it is the outcome of a planning exercise, a valuation exercise or some other exercise.
- C.5.8 For any **material** calculations that have been performed an **aggregate report** shall explain:
 - a) the nature and objective of the calculations;
 - b) any specific **measure(s)** adopted; and
 - c) the **methods** used to achieve the calculation objective.

Rationales

- C.4.6 An **aggregate report** shall describe the rationales for:
 - a) any **material** assumptions used or recommended;
 - b) any differences between the assumptions used or recommended in different parts of the work; and
 - c) the **measures** and **methods** used in any **material** calculations.

Needs

C.5.8^M If an **aggregate report** includes information derived from **models**, it shall include explanations of:

- a) any **material** limitations of the **models** that have been used and the implications of those limitations; and
- b) how the **users'** needs are addressed by the **models** that have been used.

CONTENT

Data

C.4.1 An **aggregate report** shall:

- a) describe any **data** or any other information used; and
- b) state the source of the **data** or other information.

C.4.3 If there is any **material** uncertainty over the accuracy of the **data**, an **aggregate report** shall:

- a) describe the uncertainty; and
- b) explain any approach taken to the uncertainty in the calculations or in the results.

C.4.9^M Grouped **data** shall be clearly identified and:

- a) the reasons for the grouping and the criteria used to determine the groups shall be documented; and
- b) the **aggregate report** shall include an explanation of the rationale underlying the grouping if it is not possible to demonstrate that the grouping has no **material** effect.

C.4.13^M If any **data** points are removed from the **data** used for a **realisation** other than because they are erroneous:

- a) the **data** points that have been removed shall be **documented** and the **aggregate report** shall describe them;
- b) the rationale for their removal shall be **documented**; and
- c) the **aggregate report** shall explain the implications of their removal.

Assumptions

C.4.4 An **aggregate report** shall state:

- a) the **material** assumptions on which any calculations or judgements are based; and
- b) any differences between the assumptions used or recommended in different parts of the work.

Cash flows

C.5.10 An **aggregate report** shall indicate the nature of any future cash flows being quantified, including their timing.

Estimates

C.5.4^M An **aggregate report** that includes estimates that are not **neutral** shall indicate their relationship to **neutral** estimates.

Risks and uncertainties

C.5.5 For each **material** risk or uncertainty faced by the **entity** in relation to the work being reported on, an **aggregate report** shall state the nature and significance of the risk and explain the approach taken to the risk.

Subsequent events

C.3.13 An **aggregate report** shall indicate any **material** changes or events that are known by any person responsible for the **aggregate report** to have occurred since the effective date of the **data** and other information on which it is based.

Comparisons

C.5.17 An **aggregate report** shall include a comparison with an **aggregate report** which has previously been provided for a similar purpose (if one exists), with explanations of any differences. The comparison shall cover assumptions, results of calculations, recommendations and other **material** matters. The comparison of the results of calculations shall include a reconciliation of the two sets of results.

Projections

C.5.20 An **aggregate report** that includes the results of calculations that are performed at regular intervals shall indicate the projected results from future corresponding calculations.

BE CAREFUL WITH TECHNICAL TERMS

C.6.8 An **aggregate report** shall state the intended meaning of any **material** description which is not uniquely defined.

C.5.13 If an **aggregate report** includes probabilities it shall also explain:

- a) the intended meaning of the probability;
- b) the nature of any statistics on which the probability is based.

COMPLIANCE

C.2.1 All **aggregate reports** relating to work within the scope of this standard shall comply with this standard.

C.2.8 Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

C.3.11 An **aggregate report** shall:

- a) state which TASs apply to the work that has been carried out;
- b) state any other TASs with which it is intended that the **report** shall comply;
- c) state whether it complies with those TASs; and
- d) give particulars of any **material** departures from the TASs referred to in a) and b) above.

C.6.4 If a person responsible for a **report** becomes aware of any evidence of that **report** not being understood by any **user** they shall provide clarification or correct the misunderstanding. If a person responsible for part of a **report** becomes aware of any evidence of any other part of that **report** not being understood by any **user**, they shall notify a person responsible for that other part of the **report**.